

## Message Text

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43

ACTION AID-31

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O 161230Z MAR 76

FM AMEMBASSY KABUL

TO SECSTATE WASHDC IMMEDIATE 6655

C O N F I D E N T I A L KABUL 1975

FOR AID ASSISTANT ADMINISTRATOR NOOTER AND NEA  
DEPUTY ASSISTANT SECRETARY DUBS

E.O. 11652: GDS

TAGS: EAID, AF

SUBJ: LOAN VS GRANT FOR RURAL PRIMARY SCHOOL PROGRAM

1. I BELIEVE YOU SHOULD KNOW, IN CONNECTION WITH VINCE BROWN'S VISIT TO WASHINGTON STARTING MARCH 17, THAT THE GOA HAS NOT MADE A DECISION ON WHETHER TO ACCEPT A LOAN FOR THE PHASE II RURAL PRIMARY SCHOOL PROGRAM. IN FACT THE POSITION OF MINISTER OF PLANNING KHURRAM APPEARS TO HAVE HARDENED SINCE WE FIRST INFORMED HIM OF WASHINGTON'S NEGATIVE REACTION TO THE AFGHAN REQUEST FOR A GRANT FOR REASONS OUTLINED IN REF B. WE NOW HAVE LITTLE DOUBT THE MINISTER IS ACTING UNDER CONSIDERABLE PRESSURE FROM THE PRESIDENT. IN DISCUSSIONS WITH KHURRAM LAST WEEK AND AGAIN MARCH 15, HE MADE THE STRONGEST AND MOST PROLONGED ARGUMENTS FOR A GRANT. ON MARCH 11, HE TOLD VINCE BROWN THAT AN EDUCATION LOAN WAS QUOTE IMPOSSIBLE UNQUOTE. HE STRESSED THAT POST EDUCATION PROJECTS INCLUDING INFRASTRUCTURE WERE ALWAYS GRANT FINANCED BY AID; HE COULD NOT UNDERSTAND THE PRESENT AID SHIFT FROM GRANT TO LOAN FOR SUCH A SOCIAL DEVELOPMENT PROGRAM. HE ADDED HIS GOVERNMENT WOULD PROBABLY REJECT A RECENT ADB OFFER OF LOAN ASSISTANCE IN THE EDUCATION FIELD. THE GOA, ON THE ON THE OTHER HAND, WAS ACCEPTING AN IDA LOAN FOR THE VOCATIONAL SCHOOL PROGRAM BECAUSE OF A PRIOR GOA COMMITMENT WHICH IT HAD ACCEPTED IN PRINCIPLE.

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BESIDES, ACCORDING TO KHURRAM, IDA LOAN TERMS WERE QUOTE

BETTER THAN AID'S UNQUOTE NO MATTER HOW SMALL THE DIFFERENCE.

2. THE MINISTER LEFT WITH US TWO CLEAR IMPRESSIONS:

(A) CONTRARY TO OUR VIEW EXPRESSED IN PARA ONE REF A, THE CHANCES THAT THE GOA WILL ACCEPT A LOAN FOR THIS PROJECT NOW APPEAR NO BETTER THAN FIFTY-FIFTY; AND (B) A RENEWED AND CONCERTED GOA EFFORT FOR A GRANT SCHOOL PROGRAM CAN BE EXPECTED.

3. I BELIEVE IT SHOULD BE MENTIONED IN THIS CONTEXT THAT WE ARE BEING HIT FROM VARIOUS LEVELS OF THE GOA, INCLUDING DAOUD (STATE 1649, PARA THREE) WITH THE THEME THAT AMERICAN SUPPORT FOR AFGHANISTAN CAN AND SHOULD BE LARGER. IT IS REASONABLE TO CONCLUDE THAT DAOUD HAS DETERMINED THAT PRESSURE SHOULD BE APPLIED ON THE U.S. TO DO MORE. WE SHOULD VIEW THE GOA'S PROBLEMS WITH LOAN FINANCING FOR THE RURAL SCHOOLS PROJECT IN THE CONTEXT OF ITS ASSESSMENT OF OVERALL US INTENTIONS.

4. AT THIS POINT, I WANT TO ASSURE YOU THAT WE HAVE MADE CONCERTED EFFORTS TO CONVINCE THE GOA TO ACCEPT A SCHOOL LOAN. OBSERVABLE RESULTS HAVE BEEN NIL. KHURRAM HAS SAID SEVERAL TIMES HE FEELS THAT AFGHANISTAN IS RECEIVING SHORT SHIFT FROM THE USG IN RELATION TO UR SIZEABLE ASSISTANCE PROGRAMS THROUGHOUT THE NEAR AND MIDDLE EAST. OUR ARGUMENTS THAT THE COMPARISON OF OUR ASSISTANCE PROGRAMS IN THE MIDDLE EAST TO OUR AFGHAN CONTRIBUTIONS IS A COMPARISON OF APPLE AND ORANGES DOES NOT SEEM TO MAKE MUCH OF A DENT ON KHURRAM. I IMAGINE WE WILL CONTINUE HEARING GOA URGING FOR ADDITIONAL AID FUNDING FOR COSTLY PROJECTS OUTSIDE OF USAID'S POPULAR AND WELL ACCEPTED ASSISTANCE FRAMEWORK OF DEVELOPING AND IMPLEMENTING PROGRAMS WITH DIRECT AND MEASURABLE BENEFITS FOR THE RURAL POPULATION.

5. MYWS\* ;8EW, STATE IN PARAS 3 AND 4 OF REF A, HAS NOT CHANGED; IN FACT, IT HAS BEEN REINFORCED AS A RESULT OF THE AFGHAN REACTION TO OUR CARRYING OUT THE INSTRUCTIONS IN REF B. CONFIDENTIAL

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MY STRONG PREFERENCE CONTINUES TO BE FOR GRANT FINANCING. I THEREFORE HOPE YOU CAN TAKE ADVANTAGE OF VINCE BROWN'S VISIT TO REVIEW THIS MATTER ONCE AGAIN. IF UNRESOLVED BY THE TIME OF BOB NOOTER'S VISIT, IT IS CERTAIN TO BE HIGH ON THE AFGHAN AGENDA AT THAT TIME.  
ELIOT

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